

INTERNATIONAL CITY MANAGERS' ASSOCIATION  
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## MANAGEMENT OF CITY-OWNED REAL ESTATE

What elements are involved in a municipal program of land acquisition, management, and disposal? What steps should a city take to control its real property holdings?

It is rather common for city officials to give management of city-owned land a low priority among administrative activities. Yet every municipality owns or must acquire real estate for public purposes such as streets, parks, utilities, and housing; most cities own properties which are income-producing, and some have surplus land which they wish to return to the tax rolls by sale. Each of these three classes of property requires administrative attention, and the care with which each phase is handled can have substantial effects on local finance and on the course of community development.

Management of city-owned real estate is closely tied up with both long-range land-use planning and with municipal revenues and expenditures. The relationship is clearly illustrated in Milwaukee, Wis., where land acquisition and management are handled by a real estate division whose chief was promoted from the city tax commission and which, with the city planning division, is part of the board of public land commissioners. Careful handling of real estate can save a city substantial expenditures; haphazard management can lose both money and public esteem; while a well-developed program gives evidence of far-sighted administration.

The land use plan of a city, when officially adopted, establishes the use of existing city-owned (as well as privately owned) land, and determines property that must be acquired in the future for recreation, schools, street widening, or other uses. It also indicates city-owned land that will not be used for public purposes and which is therefore surplus and available for sale or lease to private interests.

A plan for acquisition and use of property materially affects the total cost of land acquisition. Public announcement of intention to acquire certain property invariably inflates its price, whereas quiet negotiation in advance of actual need--with the possibility of condemnation in the background--takes advantage of the market value that prevails in absence of demand. Long-range planning also prevents haphazard acquisition of properties that will not be needed, and premature disposal of properties that would ultimately have to be bought back to complete a future project.

A complete property record verifies correct uses of public land under the zoning restrictions, determines the extent of tax-exempt property, shows the income-producing land and buildings, provides immediate public information on real estate available for purchase or trade, and establishes the asset value of the property for investment and insurance purposes. For example, a small mid-western city recently found that it had no fire insurance on 5 out of 23 city buildings--



even though their insurable values were substantial--because it had no detailed record of value on the buildings. Bringing the appraised value and records of all 23 buildings up to date resulted in increasing the total fire insurance coverage by three times.

Organization for Property Management. Records and management of municipal property are generally associated with the finance department of cities. This is true in such widely different cities as Long Beach, Calif., Kansas City, Mo., Concord, N. H., and Martinsville, Va. A notable exception is Milwaukee, where the entire responsibility for city-owned land is in a real estate division under the board of public land commissioners. This board is essentially a planning and land management agency. Concord, in addition to putting records and management responsibility in the finance department, makes the planning agency responsible for determining land requirements, and the city manager negotiates all purchases.

These examples illustrate functional organization for control over city real estate. This control is properly a management function and should be kept close to the center of management through staff units such as those of finance or planning. The principle is further illustrated by a Kansas City administrative regulation which provides these steps in acquisition of real estate:

1. Departmental requests to the property and insurance commissioner (a division of the finance department) and to the planning commission.
2. Plan commission approval of use and location of the property requested, or recommendation of alternative sites.
3. Investigation and report of the property and insurance commissioner regarding probable costs of the property in question, and determination of the availability of funds (most property is purchased with budgetary appropriations to the property and insurance division, rather than with funds of a specific department).
4. Approval of department head and city manager to negotiate for the property.
5. Negotiation by property and insurance commissioner, and/or condemnation; approval of documents by the law department.
6. Notice of acquisition to appropriate department, city plan commission, city and county assessors.
7. Ordinance of acceptance.
8. Completion of all property records including registration on a property card and permanent retention in the property and insurance division of all material, including the deed, relating to a specific property.

It should be noted that the city council of Kansas City does not involve itself in the acquisition process except to appropriate funds in the budget for acquisition of property generally, and to adopt an ordinance of acceptance when the transaction has been completed. This procedure frees the council of administrative detail. It also avoids public announcement of the desire for certain properties and makes possible the quiet preliminary negotiation that is essential in maintaining reasonable prices on land to be acquired.



Property Records. A minimum of four control records are required for handling city real estate: (1) A master map showing the location of all publicly owned property in the city; (2) an atlas containing detailed plats on all city owned properties, with improvements indicated thereon; (3) an individual property record card giving all essential data about the property, and (4) a record folder or jacket containing all background data.

A master map can be color-coded to show the use and general location of every piece of city-owned real estate. In the case of narrow strips acquired for street widening, this map may not be large enough to show such small areas in detail and it should be unnecessary to do so. These must be indicated on the atlas, however, and a property card must be maintained for each.

The atlas shows specific locations of city-owned properties, lot size and shape, and the relative size and location of any buildings thereon. In a large city quarter-section maps are convenient; in a smaller one a larger scale may be used. The Milwaukee real estate division uses quarter-section maps which, in addition to showing city-owned property, show set-back lines for future street widenings, representing property that will have to be bought or condemned. These strips are color-coded, and when the land is acquired they are colored over to indicate actual, rather than potential, ownership. Each parcel of city-owned property carries a key number which refers to the number of the property index card.

Milwaukee also maintains a separate quarter-section atlas, set up in the same way, which shows city-owned properties that are for sale. On both atlases, when properties are sold they are crossed out but the key number is retained for reference to the property card file.

The property record card or ledger shows in one place all of the essential summary data about a specific parcel of land. Each parcel has a separate card. A sample card is reproduced on the following page. Besides space for the legal description, location, dimensions and price of the land, a cross reference to the atlas is provided, together with register of deeds' data, date and amount of appraisal, public improvements, assessed value, zoning, present use, and recommended disposition. Similar forms with local variations are used in various cities.

A significant item on this card is the account code and title which helps to assure that the property is added to the city's asset accounts or is deleted therefrom when disposed of. Milwaukee and Kansas City use property ledger cards which are letter size ( $8\frac{1}{2} \times 11$ ) printed one side only on ledger stock. Some other cities use half size cards ( $5\frac{1}{2} \times 8$ ) printed on both sides.

In addition to the property record card there should be a folder for each parcel; or, in a mass acquisition a folder for all parcels in a project. The folder contains copies of all documents leading up to acquisition, including pertinent correspondence, options and agreements, resolutions of the council authorizing purchase and/or condemnation and accepting the deed, full description of all buildings located on the land, and photographs which show the location and appearance of buildings.

In Milwaukee the property record folder contains the data for all properties associated with a particular improvement project such as street widening, and each property ledger card is keyed to this folder. Where city holdings of small parcels are quite extensive this makes a substantial saving in folders, filing space, and the number of individual folders that must be handled in filing.



# REAL PROPERTY LEDGER: A Record of Land, Land Improvements and Buildings Owned by INDIVIDUAL DEED RECORD

Index No. \_\_\_\_\_

<u>Department:</u>		<u>Use:</u>	<u>Location:</u>
<u>Plat Book Page:</u>	<u>Assessor's Parcel No.:</u>		
<u>Last Assessed Value:</u>	<u>Total:</u>	<u>Area:</u>	<u>Legal Description:</u>
<u>Land:</u>	<u>Bldg.:</u>		
<u>Appraisal:</u>	<u>Total:</u>	<u>Cost Record:</u>	
<u>Land:</u>	<u>Bldg.:</u>	Appraisal Fee :	
		Negotiator's Fee :	
		Title Service :	
		Court Costs :	
<u>Fund Used:</u>		Recording Fees :	
		Land Cost :	
		Other :	
<u>Accounts Code No.:</u>	<u>Account Title:</u>	TOTAL :	
<u>Type Conveyance:</u>	<u>City No.:</u>		
<u>Instrument No.:</u>		<u>Legislation:</u>	<u>Disposition Recommended:</u>
		<u>Type Ord.:</u>	
<u>Recorded-Book No.</u>	<u>Page</u>	<u>No.:</u>	
		<u>Date:</u>	
<u>Grantor(s):</u>			
<u>Former Use:</u>	<u>Reversion Clause ? (If Yes, give conditions)</u>		<u>Disposition Made:</u>
<input type="checkbox"/> Business <input type="checkbox"/> Industrial <input type="checkbox"/> Residential <input type="checkbox"/> Farm <input type="checkbox"/> Vacant <input type="checkbox"/> Other			



Survey of Real Estate. A city which does not have accurate and complete records of its real estate will need to engage in considerable research and an actual physical appraisal of "missing" properties. If this condition exists it is likely that assessment records are also inaccurate, so that a general reappraisal of property in the community will be in order.

A complete reassessment which restores property valuations to proper balance and raises them to constructive market value has these advantages: (a) returns to the assessment roll properties which have been omitted, for whatever reason, in error; (b) equalizes valuations among like properties; (c) verifies conformance of land-use to zoning, or discovers misuses; (d) broadens the property tax base and permits reduction of the tax rate; (e) improves borrowing capacity and credit rating; (f) increases public confidence and respect for government.

Assessment administration is discussed in "Municipal Finance Administration" (Chicago: International City Managers' Association, 1949, Ch. 9), "Assessment Principles" (Chicago: National Association of Assessing Officers, 1939, 106pp), and "Standards for Assessing Real Property" (Chicago: Public Administration Service, 1951, 60pp). This booklet presents basic data for all types of real property assessment based on actual field experience. It includes methods of value determination and appraisal systems for urban land, rural land, and improvements.

A survey of municipally owned property begins with the assessment roll and maps. Every property for which records are incomplete must be made the object of careful investigation. If it is not on the assessment roll, a legal description should be obtained from the register of deeds along with a photostatic copy of the deed. The parcel must then be recorded on the base map for the quarter section or block in which it is situated; land, buildings, and other improvements must be appraised to determine asset value and assessed value for tax purposes; photographs of the property should be taken to show location and condition of buildings, and use and conformity with permitted use under the zoning ordinance must be established.

To complete the survey, date and number of the council resolution accepting the property and dedicating its use must be determined; and need for the property either at present or in the future in terms of the city master plan must be established. All information should be entered on the property ledger card, including a cross reference to the base map on which the property is diagrammed. Among the cities that have conducted complete reassessments in recent years, which should include accurate recording of city property, are Alexandria, Va.; Corpus Christi, Tex.; Grand Rapids, Mich.; and Two Rivers, Wis.

Accounting for City-Owned Land. Real estate is carried on the books of a city at its actual cost or at its appraised value at the time of acquisition. (Some land is obtained by gift or exchange.) If, as will be true in quite a few cities, property records have not been kept up to date either as to number or value, book values will have to be established on the basis of a complete inventory and appraisal of each property.

Appraisals can and should be made at full value since their purpose is to establish the actual amount of the city's investment and since the asset account for accounting purposes bears no essential relation to assessed valuation for tax purposes. Land valuations remain on the books at their original value until improvements, demolition, or disposal change their value; then adjusting entries are made.



Five control accounts for real estate should be set up. These are for (a) land, (b) buildings, (c) machinery and equipment, (d) work in progress, and (e) improvements other than buildings such as pavements, sewers, sidewalks, and water mains. As far as possible the value of these assets should be in terms of actual cost; but when these are unknown for any reason appraised values should be used. Asset accounts should be offset by investment accounts showing the sources of revenue from which the property has been acquired and improvements made. The common sources are current revenues, bonds, gifts, special assessments, and grants.

Details on fiscal accounting for city-owned real estate are given in "Municipal Accounting and Auditing" (Chicago: Municipal Finance Officers Association, 1951), which illustrates typical accounting statements; "Municipal Finance Administration", published by the International City Managers' Association, and standard texts on municipal or governmental accounting which are listed annually in "The Municipal Year Book."

Besides this initial survey, city property should be inspected physically at least once a year to insure that it is in proper use and to determine the condition of land, buildings, and equipment. Such a formal inspection should be made in addition to normal maintenance on improved properties. Land or buildings which are leased to private individuals for proprietary uses should be inspected perhaps quarterly to verify compliance with the lease and other legal requirements. This task can be assigned to the assessor, the building inspector, or the property management unit if there is one; but the assignment should be clearly made and accurate reporting required.

Acquisition of Real Estate. Real estate for public purposes is commonly acquired by negotiation or condemnation. Less often specific parcels are obtained by gift, with or without requirements for special uses. The practice of obtaining title to tax-delinquent property through foreclosure was extensive in the late 30's and early 40's and virtually stopped by the end of World War II.

The first requirement for a land acquisition program is a master city plan of present and proposed land use. This should be prepared by the planning department, taking into account current and future needs of each department as determined by planning studies. The master plan map is color-coded to show residential, commercial, industrial, and recreational use areas; arterial and feeder streets; public land currently owned and public land to be acquired. From the land use plan it is desirable to set up and adopt a capital improvement program, giving priority to specific construction projects. From these two plans priority is established for acquiring the land needed to complete a particular project such as street widening, school, or civic center.

The planning department should establish setback lines for major thoroughfares and streets that are to be widened. Building permit applications should be reviewed to enforce setback lines, and owners planning to build on vacant property which is in line for ultimate acquisition by the city, should be apprised of the fact even though it may be several years before their property is reached with the funds available for the purpose. It may sometimes be desirable or necessary for the city to buy a vacant parcel out of priority to prevent building and thus avoid removing costly improvements at a future time. Tax deed property that is still under municipal ownership should be reviewed regularly to insure that no parcels are put up for sale which will ultimately be put into public use, in order to avoid rebuying it in the future.



Negotiation is the heart of land acquisition from private owners but condemnation is the ultimate weapon. Whenever possible, steps should be taken to buy the property that will be needed for improvement far enough in advance so that the impending improvements will not inflate its value. In cities such as Milwaukee and Kansas City, this is done by means of annual appropriations for land acquisition and a timetable calling for purchase two or three years in advance of actual use.

In Milwaukee, acquisition of a piece of property is initiated by the common council in a resolution authorizing the city real estate agent to negotiate for purchase, and directing the city attorney to institute condemnation if the negotiation is unsuccessful. The acquisition is recommended by the planning division. Proceedings are similar in Fulton County, Ga., and Kansas City, although in Kansas City land can be bought without council action, except for the resolution accepting it.

Armed with council authority, the Milwaukee real estate agent obtains an appraisal of the property in question. Milwaukee uses its own appraisers who are regular employees of the real estate division. Fulton County engages two professional appraisers on an hourly basis and requires them to submit their estimates in writing and in confidence. Kansas City uses outside appraisers, customarily members of the real estate board.

It is entirely proper for a city too small for a separate real estate division to use the city assessor or members of his staff. Use of city personnel permits tighter control to be maintained over negotiations and price information. It also prevents exploitation of owners whose property is to be condemned, by private appraisers who inevitably have other property for sale. Land appraisal for municipal purposes is an administrative function and it should not be relinquished to private interests without good reason and careful safeguards against abuse.

It is customary in the initial stage of acquiring a piece of property to take an option on it rather than to consummate an outright purchase. This gives the city time to investigate the title to make sure it is clear and to prepare an appropriation ordinance if one is required, but it does not obligate the city to buy unless it chooses to exercise the option.

If an option cannot be obtained at a price reasonably close to the value of a property as appraised by the city (any two appraisers may disagree within several hundred dollars as to value and it is fairly common for buyer and seller to be several thousand dollars apart, thus indicating that appraisal for sale and appraisal for purchase are, for practical purposes, completely dissimilar), it is immediately thrown into condemnation. In most cities the city attorney carries the case from this point. Fulton County, Ga., allows its negotiators to accept a purchase price 10 per cent higher than the appraised value if conditions appear to warrant it. Otherwise the case is taken to court and if the awards there seem too high the case is appealed to the state supreme court.

In Kansas City condemnation proceedings are generally filed first, before negotiations begin, since land prices customarily rise during negotiations. Then if an owner does not wish to sell at a price the city considers reasonable and is willing to pay, a strong case can be made for an award based on value at the time condemnation was begun rather than when negotiations broke down.



When the transaction to buy a property is completed, all legal documents are reviewed and perfected by the law department, the city council adopts an ordinance accepting the property, the deed is recorded, and the property record is set up including entry of the property on the atlas of city-owned real estate. The assessors of all districts--county, school, city, etc.--are notified of the purchase so they can remove the property from their assessment rolls, and the finance department is notified so it can debit its asset account with the value of the land and credit the appropriate investment account.

Property Management. Cities in most states have at least minimum legal authority for renting public property to private interests for proprietary purposes. This may be for more or less continuous use such as with parking lots which are city-owned but privately operated, or it may be for property earmarked for public use, but not yet ready to function. Communities with large land acquisition programs frequently obtain houses and apartment buildings in which tenants are permitted to live until the purpose for which the property was acquired is instituted. This may be two or three years, during which the city is authorized to collect rents, while it must also provide building services and maintenance. Milwaukee had 241 such residences in one recent year, from which it collected a substantial offset to the cost of its land acquisition program.

The management of real estate--in addition to acquisition, disposal, and record-keeping--is properly performed in the real estate unit even though in small cities this may be only one individual. Functions include rent billing, maintenance of properties, filling tenant vacancies and providing building services. The "new" property frequently yields problems in maintenance. Milwaukee, which has a considerable amount of these short-term rentals, contracts out for maintenance service such as plumbing and carpentering so as to provide immediate service to residents without disrupting the work schedules of regular employees in the public works department who would normally be called on for this kind of assistance.

Land and buildings in departmental use are customarily managed by the department that uses them and maintained by regular forces--the public works department in cases of mechanical maintenance, the recreation and parks department in the case of lawns, trees, and landscaping. While smaller cities may not be formally organized in precisely these ways, the principles prevail: property which is not yet in public use and which is under lease for proprietary purposes is managed and maintained by a central responsible unit or individual, while property which is in public use such as forests, airports, fire stations, or parks is handled by the department concerned.

Disposal of Real Estate. The method of choice in disposing of surplus real estate or returning publicly owned land to the tax rolls is to sell it at public auction. This may be tax deed land, acquired by foreclosure for non-payment of taxes (most remaining parcels of which are now marginal or submarginal), or an excess purchased for a public use and ultimately not utilized. For instance, a street widening project in one city required enough frontage on one property to ruin a building thereon. Rather than take just the strip and pay heavy damages for loss of building and business, the city chose to buy the entire lot and building on a favorable basis agreed upon by the owner. The building was razed and salvaged, removing a permitted but relatively undesirable use, and the lot was ultimately resold at public auction so that both the original owner and the city benefitted from the transaction.

All apparently surplus municipal property must be reviewed with the planning department before it is offered for sale. This will prevent selling a parcel



which is earmarked for development even 10 or 15 years in the future when its value may have substantially changed. (As noted earlier the planning department should have the responsibility of preparing the master plan which takes account of all departmental needs as represented by individual studies of each department.)

When the property is found to be surplus its sale must generally be authorized by the city commission; then it is appraised and advertised for sale either by sealed bids or at public auction. The advertisement indicates location and dimensions of the property, type of buildings thereon, income and zoning classification. The best bid is referred to the city council for approval if it is high enough; otherwise the real estate agent may recommend rejecting all bids and holding the property for future sale when its value has improved. When the bid has been accepted and the transaction completed, title is transferred to the new owner and the city assessor and other assessing units are notified to return the property to the tax rolls.

As with land acquisition, the key to disposal of surplus municipal property is its appraised value. Appraising takes integrity and good judgment, for it is entirely possible to make appraisals so high as to freeze out responsible bids or so low as either to encourage low bids, with consequent loss to the city, or to inflate apparent profits represented by the difference between appraised and bid prices. Both damage public confidence and encourage sharp practices.

Public Relations. Real estate is a highly sensitive area of municipal operation from the citizen standpoint. On one side is the attitude of certain property owners that a public body can afford to pay dearly for property it needs and to sell cheaply the property it desires to dispose of. On the other side is the fact that a city condemns private property which represents an individual's life savings or sole livelihood and which he relinquishes reluctantly.

Thus the city council, the mayor or city manager, and the real estate agent must walk a fine line of firmness and reasonableness, in refusing to accept property at excessive prices or to sell below a fair appraisal, and in giving the average owner whose property is required for a public improvement every reasonable advantage and explanation of need. The real estate program should be calculated to promote public confidence in government and its land-use plan.

In specific terms, this means making offers at prices approaching realistic appraised value; meeting the seller at a reasonable point; exercising and insisting upon good faith in all transactions, invoking condemnation as a last resort, and providing the "average man" with the know-how possessed by the real estate division.

Two examples will illustrate: The Milwaukee real estate agent discovered that certain individuals were buying sub-marginal city-owned tax deed land and reselling it at a substantial profit without indicating its deficiencies. On his recommendation, the common council adopted the practice of writing into its deeds explanations regarding condition of the property, to protect future buyers. In the other case, the city offered to move a building whose front was required for street widening but whose side was also in violation of a setback line that would have to be invoked several years in the future. The owner thus was saved the concern and expense of a double move and responded by deeding the required strip to the city for a nominal payment.

A well-developed real estate control program including records, land use plan, definite organization and clear procedures for acquisition and disposal is



evidence of good management. As with most management activities, success of the program both organizationally and public relations wise depends on the qualifications of the individual who heads it up. A real estate agent should be an individual with considerable experience in assessment and appraising, a feel for public relations, and a deep sense of public service. This latter qualification, as much as any other, is the point on which public confidence in the over-all program is likely to turn.

NOTE: In preparing this report, MIS had the personal assistance of Emmett Ryan, Real Estate Agent of Milwaukee, Wis. Information on practices in other cities was obtained from City Managers John E. Dever, Two Rivers, Wis.; Thomas J. Hughes, Westmount, Que.; and Charles S. Sumner, St. Johnsbury, Vt.; Finance Director W. H. Yeaman, Martinsville, Va.; and Planning Director Gustaf H. Lehtinen, Concord, N. H.

In addition, the following officials reviewed a draft of the report, contributing additional information and suggestions for improvement: Rollin F. Agard, finance director, and John J. Kemish, administrative assistant, Kansas City, Mo.; Joseph R. Coupal, Jr., city manager, Bangor, Me.; A. E. Fuller, county manager, Fulton County, Ga.; Harlow R. Richardson, city manager, Ashland, Wis.; and Samuel E. Vickers, city manager, and S. M. Roberts, finance director, Long Beach, Calif.